

**MEMORANDUM OF UNDERSTANDING**

**FOR**

**THE DEVELOPMENT OF CENTRAL ASIA-SOUTH ASIA  
REGIONAL ELECTRICITY MARKET (“CASAREM”)**

This Memorandum of Understanding (“MOU”) for the Development of a Central Asia-South Asia Regional Electricity Market (“CASAREM”) is entered into by the Government of the Islamic Republic of Afghanistan, the Government of the Kyrgyz Republic, the Government of the Islamic Republic of Pakistan, and the Government of the Republic of Tajikistan. Hereinafter, each Government is referred to as a Party to this MOU; and the Governments collectively are referred to as the Parties.

## **PREAMBLE**

**WHEREAS** the Parties, having met in Islamabad, Pakistan in May 2006 and in Dushanbe, Tajikistan in October 2006, together with international financial institutions (“IFIs”), bilateral agencies, private investors and other experts and advisors, have resolved to engage, collectively and individually, in activities necessary to enable the overall development of CASAREM and, in particular, the CASA 1000 Project; and

**WHEREAS** the Parties in Dushanbe signed a Memorandum of Understanding on October 28, 2006 (Dushanbe MOU); and

**WHEREAS** the Parties established and continue to support a Multi-Country Working Group (“MCWG”) with Terms of Reference (“TORs”) requiring the MCWG to carry out certain functions on behalf of the Parties; and

**WHEREAS** the MCWG prepared Terms of Reference (TORs) for a two phase evaluation of the technical and economic viability of the CASA 1000 trade arrangements and investments (Techno-Economic Assessment or TEA); and

**WHEREAS** the MCWG has also prepared TORs for a two phase evaluation of the CASA 1000 financial, legal, institutional, and risk mitigation issues (Commercial Assessment or CA); and

**WHEREAS** the Parties requested the Asian Development Bank (ADB) to finance the Techno Economic Assessment and the World Bank to finance Commercial Assessment; and

**WHEREAS** ADB contracted with SNC Lavalin for the TEA; and the World Bank contracted with the consortium Fieldstone, Chadbourne & Parke, Nexant (the Fieldstone team) for the CA; and

**WHEREAS** SNC Lavalin and the Fieldstone team have submitted their Phase 1 Reports; and

**WHEREAS** the Parties have reviewed the two Phase 1 Reports and received the recommendations of the MCWG prior to this 14-16 November 2007 meeting in Kabul;

**NOW, THEREFOR**, the Parties agree as follows:

## **1.0 Scope of Agreement and Understandings**

- 1.1 After review of the studies, and after consideration of the views and recommendations of the MCWG, the International Financial Institutions (IFIs) and donors, the Parties hereby agree that the CASA 1000 Project (Project) appears to be viable. The Parties also agree to proceed with the further development of the Project and with Phase 2 of the Consultant studies.
- 1.2 The Parties agree that the further development of the Project must be on the basis that it is economically viable and sustainable for all the Parties involved.
- 1.3 Given the foregoing, and in accordance with Section 1.11 of the Dushanbe MOU, the Parties reaffirm their agreement to negotiate in good faith:
  - (a) a subsequent Inter-Governmental Agreement among the Parties that will provide the overall framework for the Project; and
  - (b) all other required agreements or contracts necessary for the financing, implementation, and long-term operation of the Project.
- 1.4 The Parties agree to establish an Inter-Governmental Council (IGC) with an Executive Director and a Secretariat with permanent staff by February 1, 2008, and subsequently fund it, on the basis of the "Resolution of Participating Governments in Support of the Development of the CASAREM and the CASA-1000 Project", which is an Annex to this MOU. The Parties further agree that the Executive Director and Secretariat shall be located in Kabul. Until the IGC, Executive Director and Secretariat (with permanent staff) are in place, the MCWG shall continue to operate with additional responsibilities regarding Project implementation, including, as may be necessary, the activities identified in Section 3.6 below.
- 1.5 The Parties continue to recognize that, for the development, construction and implementation of the Project, private sector investors/operators are important to its success. The Parties continue to give preference to the Public-Private Partnership (PPP) approach to developing the Project. In all events, any effort to attract private sector participation, whether on an equity or contractual basis, shall be done in a transparent manner, pursuant to reasonable terms and conditions.

## **2.0 Definition of the Project**

- 2.1 The CASA 1000 Project, described broadly, includes power exports from Tajikistan and the Kyrgyz Republic to Afghanistan and Pakistan; an AC

transmission line between Tajikistan and the Kyrgyz Republic, subject to confirmation of certain technical and economic parameters; a DC transmission line between Tajikistan and Pakistan via Afghanistan (Kabul area); and off-take facilities in the Kabul area. The Project also includes the establishment of the concomitant institutional, financial, legal and risk mitigation frameworks that will enable international electricity trade.

### **3.0 Financing and Implementation of the Project**

- 3.1 The Parties agree to establish a Special Purpose Company (SPC) that will develop, construct and operate the Project facilities.
- 3.2 The Parties recognize that, despite the PPP preferences expressed in section 1.5, there is a possibility that significant investment from the private sector may not be forthcoming and that, in such a case, the Project would need to be largely, if not solely, financed by the public sector.
- 3.3 In addition to their mutual commitments in Section 1 of this MOU, it is agreed that the countries will finance the Project facilities on the basis of the assets in each country.
- 3.4 The Parties intend to request the International Financial Institutions and donors for assistance in financing the Project, and further firmly request a focus on mitigating the financial burden on Afghanistan.
- 3.5 The Parties agree that the transmission system will operate on a common carrier basis, and that transmission pricing will follow international norms, including capacity (comprising, among other things, transit fees) and variable components.
- 3.6 The IGC, with the assistance of the Consultants, will initiate the further development of the Project, including the following key activities: (a) establishing the Special Purpose Company (Section 3.1), (b) selecting the private sector partner through a transparent selection process, (c) preparing the legal documents required to realize the Project, (d) initiating the procurement of the construction of the assets, and (e) performing any other activity required to realize the Project.

### **4.0 Other Understandings; Modification or Termination of this MOU**

- 4.1 The provisions of this MOU shall not contravene the national laws or international agreements and obligations of the Parties.
- 4.2 In the event that any Party believes that this MOU needs to be amended or modified, the Parties agree to meet and discuss the proposed

amendments/modifications. Such amendments/modifications shall be formalized through Protocols, which shall constitute integral parts of this MOU.

4.3 The MOU may be terminated:

- i. if any Party decides not to proceed further;
- ii. if and when a subsequent agreement is negotiated among the Parties to replace this MOU.

This Memorandum of Understanding is made in the Russian and English languages, with four (4) original copies, one for each of the Parties. In case of any discrepancy in the texts or conflict in interpretation, the English text shall prevail.

In Witness whereof, this MOU is signed at Kabul, Islamic Republic of Afghanistan on 16 November 2007.

ON BEHALF OF GOVERNMENT  
OF ISLAMIC REPUBLIC OF  
AFGHANISTAN



Mohammad Ismail

Full Name:

ON BEHALF OF GOVERNMENT  
OF KYRGYZ REPUBLIC



A. TIYMENBAEV

Full Name:

ON BEHALF OF GOVERNMENT  
OF ISLAMIC REPUBLIC OF  
PAKISTAN

*My own*  
(subject to approval of the)  
Govt. of Pakistan

Full Name:

Mohammad Yousaf  
Memon

ON BEHALF OF GOVERNMENT  
OF REPUBLIC OF TAJIKISTAN



Rakhmanzade S.

Full Name:

## **Resolution of Participating Governments in Support of the Development of the CASAREM and the CASA-1000 Project**

WHEREAS, the Governments of the Islamic Republic of Afghanistan, the Kyrgyz Republic, the Islamic Republic of Pakistan and the Republic of Tajikistan (collectively the “Members”) have each participated in a series of meetings organized by the World Bank Group, the Asian Development Bank and the Islamic Development Bank to consider the desirability and feasibility of constructing and operating an electricity transmission project that would transmit electricity, generated in Tajikistan and the Kyrgyz Republic, across Afghanistan for delivery to Afghanistan and Pakistan (“CASA-1000” or the “Project”);

WHEREAS, the Members have reviewed preliminary reports by technical consultants and commercial consultants retained to determine the technical and commercial feasibility of the Project;

WHEREAS, the Members have determined that it is desirable to take further steps toward the implementation of the Project and that such steps require establishment of an inter-Governmental working staff and an executive director fully dedicated to implementation of the Project;

IT IS NOW THEREFORE resolved as follows:

### **ARTICLE 1 Definitions**

Capitalized terms used in this Resolution, and not otherwise defined herein, shall have the meanings provided in Annex attached hereto.

### **ARTICLE 2 Establishment of the IGC**

There is hereby established a council (the “Inter-Governmental Council” or “IGC”), consisting of three representatives from each Member country, that is formed for the reasons provided in Article 3 hereof and shall have the authorities and operate as is provided in this Resolution and, once adopted, the Inter-Governmental Agreement. At least one representative from each Member country shall be at the level of Deputy Minister or higher. Each Member country shall have one vote.

### **ARTICLE 3 Objective & Purpose**

The objective of the IGC shall be to facilitate the implementation of the Project and to oversee compliance of the Project, all Project Activities and Project Participants with the MOU and Inter-Governmental Agreement.

To serve its objective, the IGC shall:

- a) negotiate the terms of the Inter-Governmental Agreement and take all reasonable steps to facilitate its adoption by the Members;
- b) provide prompt and effective assistance in the implementation of the Inter-Governmental Agreement and all aspects of the Project;
- c) resolve in good faith any issues or complaints that may arise in connection with implementation of the Inter-Governmental Agreement or the Project;
- d) discuss any matter relating to the application and interpretation of the Inter-Governmental Agreement and the implementation and operation of the Project; and
- e) cooperate with multilateral development banks, bilateral development agencies, other Project Investors and their respective advisors and consultants in matters relating to the Project.

#### **ARTICLE 4** **Representatives**

Within 30 days after the date of this Resolution, each Member shall designate its Representatives on the IGC in writing to the other Members. Each Representative shall be fully authorized and empowered by its appointing Member to act on behalf of such Member with regard to any matter brought before the IGC in respect of the Project. Each Member may change its Representatives, effective upon delivery of written notice to the other Members.

#### **ARTICLE 5** **Member Assurance**

Each Member shall endeavor to make its Representatives available for all IGC meetings and shall provide the resources required for its Representatives to perform any obligations needed to be performed for the IGC. Each Member shall provide for all expenses incurred by its Representatives during the course of their duties as Representatives to the IGC. The expenses of the IGC, as determined by the IGC, including the Executive Director and Secretariat, shall be covered on an equal share basis by each Member country.

#### **ARTICLE 6** **Duties of the IGC**

- (a) The IGC shall meet according to an agreed timetable and at the written request of any Member or the Executive Director. The Members shall consult each other in order to provide prompt and effective assistance with the implementation of the Project and to resolve in good faith any issues or complaints that may arise in connection with the Inter-Governmental Agreement or the Project, as well as to discuss any matter relating to the interpretation or implementation of the Inter-Governmental Agreement.

- (b) In addition to other matters that may be considered from time to time by the IGC, the IGC shall take all appropriate actions to facilitate implementation of the Inter-Governmental Agreement and the Project.

## **ARTICLE 7**

### **Executive Director**

The IGC shall collectively appoint an Executive Director with unanimous approval of the Members. The tenure of the Executive Director shall be three years and shall be on a rotational basis from each Member country.

## **ARTICLE 8**

### **Duties of the Executive Director**

The Executive Director shall announce to all Representatives the place and time of meetings of the IGC that have been called pursuant to Article 6 of this Resolution and, except and, until the IGC otherwise determines, shall serve as chairperson of such meetings.

The Executive Director shall have such other duties as shall be specified by the IGC or, once adopted, in the Inter-Governmental Agreement.

## **ARTICLE 9**

### **Advisors**

The Representatives of each Member shall recruit, on terms acceptable to the appointing Member, such technical, financial and legal advisors for their respective Member as is required for the orderly and timely implementation and financing of the Project. The Representatives shall communicate with and supervise such advisors. Each Member shall make timely payment of the fees and expenses due to each of its advisors.

## **ARTICLE 10**

### **Reliance on Representatives**

Upon appointment of any Representative, other Representatives and Members shall be entitled to rely upon the communications, actions, information and submissions of a Representative related to the Project as being the communications, actions, information and submissions of such Representative's Member.

## **ARTICLE 11**

### **Non-Contravention of Laws**

The provisions shall not contravene Members' national laws and their international agreements and obligations.

## **ARTICLE 12**

### **Effective Date**

The effective date of this Resolution shall be 16 November 2007.



## DEFINITIONS

The following terms used in this Resolution shall have the following meanings:

“**CASA-1000**” or the “**Project**” has the meaning provided in the recitals to this Resolution.

“**Executive Director**” shall mean the executive director of the IGC appointed pursuant to Article 7 of this Resolution, who shall be responsible to oversee implementation of the Project.

“**Inter-Governmental Agreement**” shall mean an agreement among the Members establishing the scope and terms of the Project and their respective responsibilities in connection therewith.

“**Inter-Governmental Council**” or “**IGC**” shall mean the council established in Article 2 of this Resolution.

“**Member**” has the meaning provided in the recitals to this Resolution.

“**Project Activities**” shall mean the evaluation, development, design, construction, installation, financing, insuring, ownership, operation, repair, replacement, refurbishment, maintenance, expansion, extension (including laterals) and protection of CASA-1000, as well as any other activities conducted by the Project Participants in connection with the Project.

“**Project Investor**” shall mean any public or private sector entity, other than a Member, that provides equity or debt funding, or risk mitigation, in respect of the development or operation of the Project.

“**Project Participants**” shall mean the Members and the Project Investors.

“**Representative**” shall mean any person appointed to represent a Member.

“**Resolution**” shall mean this Resolution of the Members, including this Annex, together with any amendment or other modification hereof signed by all Members.